Air Transport Association ata OF AMERICA

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IMMEDIATE RELEASE

AIRLINE FUEL COSTS CAUSE RECORD $800 MILLION PROFIT DROP

WASHINGTON, D.C., January 24 — Soaring fuel costs have offset a 12% traffic gain in 1979 and led to an $800 million decline in airline earnings — the sharpest one-year drop in the industry's history, the Air Transport Association reported today.

A newly issued report shows that since 1973, airlines increased fuel use efficiency by 43%, but fuel costs have skyrocketed 667%.

The $6.5 billion airline industry fuel bill in 1979 was up $2.5 billion over 1978 and is expected to reach $10 billion in 1980.

Industry earnings in 1979, according to preliminary estimates, will be down about $800 million from 1978, when airlines had a profit margin of 5 cents on each dollar of revenue and earned $1.2 billion.

The estimated $400 million industry profit figure for 1979, on some $26 billion in revenue, is one-third of 1978 profits and will yield a profit margin of less than 2%.

The major factor in the record earnings decline was that fuel costs in 1979 rose 100%, from 40 cents to 80 cents per gallon.

Since the beginning of the worldwide fuel crisis in late 1973, the industry's annual fuel bill increased from $1.3 billion to $6.5 billion, although the amount

More. . .

of fuel used increased only 5% over the same period.

Since 1973, the carriers have increased their passenger miles flown per gallon of fuel by 43% -- from 17.5 miles per gallon to an estimated 25 miles per gallon in 1979, when the airlines carried a record 300 million passengers.

Airlines have significantly increased load factors, conserving millions of gallons of fuel by taking advantage of new, more efficient jets to carry more people per aircraft. The industry's load factor of 63% in 1979 is more than 20% higher than it was in 1973. Other measures to conserve fuel have included increased aircraft utilization, increased seating configurations, and route restructuring.

The attached report contains additional details.

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Air Transport Report

Analyzing Vital Air Transport Issues

AIRLINE FUEL EFFICIENCY UP 43%; COSTS SOAR 667% SINCE 1973

January 1980

Since the beginning of the fuel crisis in 1973, airline traffic has increased nearly 50%; jet fuel use is up only 5%; but fuel costs per gallon have gone from 12 cents to more than 80 cents today.

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In 1979, the U. S. scheduled airlines, in domestic and international operations, carried 300 million passengers — up 100 million from 1973 — and 4-1/2 million tons of freight and mail, while using less than 4% of the petroleum fuel consumed by the nation.

Airlines today account for about 85% of the public passenger miles between U. S. communities and about 95% of travel abroad, and have clearly become the nation's dominant form of intercity public transportation.

During the past six years, airline traffic has increased nearly 50%; fuel use is up only 5%; but fuel costs since 1973 have skyrocketed 667%. Here are the details:

Meteoric Price Rise

In the past six years, since the beginning of the worldwide fuel crisis in late 1973, the price of jet fuel for U. S. airlines has increased from 12 cents to an average of 80 cents per gallon at the start of 1980. Fuel cost rises of 40 cents per gallon in 1979 have been the major reason for recent air-

Airline Passengers, Fuel Costs and Consumption
1973-1979 (year-end)

	Passengers (Millions)	Fuel Cost per gallon (¢)	Industry Cost (Billions)	Gallons of Fuel (Billions)
1973	202	12	1.3	10.7
1974	207	24	2.2	9.5
1975	205	29	2.6	9.5
1976	223	32	3.0	9.8
1977	240	36	3.6	10.3
1978	280	39	4.0	10.6
1979(est)	300	80	6.5	11.2

line fare increases.

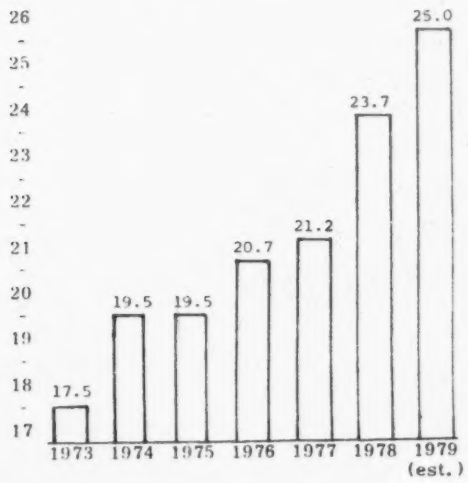
During the period 1973 through 1979, the airline industry's annual fuel bill increased from $1.3 billion to $6.5 billion, although the volume of fuel used increased just 5%. In 1980, the airlines' fuel bill is expected to reach $10 billion, based on the same amount of fuel used as in 1979. That $10 billion figure is more than the industry's total sales of $9.3 billion in 1970.

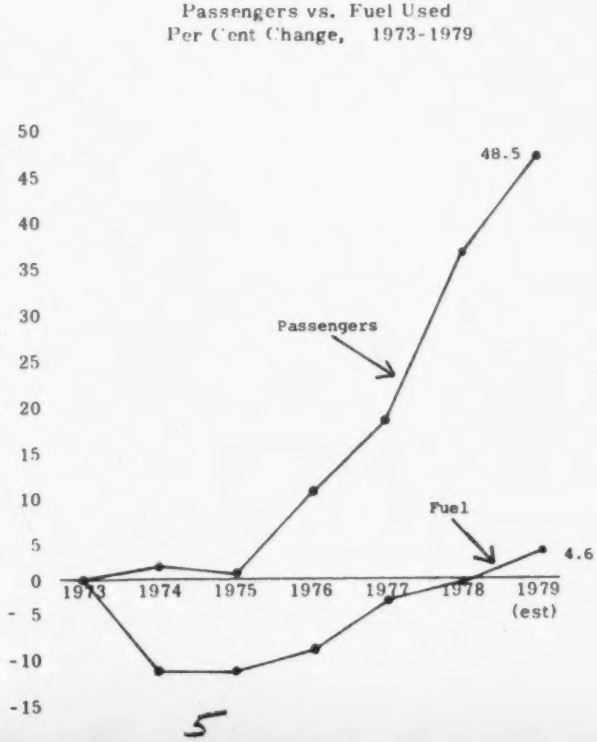
The per cent of airline total operating costs accounted for by fuel has risen from 12% in 1973 to about 30% today.

Increased Fuel Efficiency

Because of the reduced availability of jet fuel since 1974, and the continued escalation in price, airlines have become increasingly more efficient in conserving its use.

The best efficiency measure for jet fuel use is revenue passenger miles flown per gallon. Since 1973, airlines have increased this critical performance measure by 43%, from 17.5 passenger miles per gallon to about 25 miles per gallon.

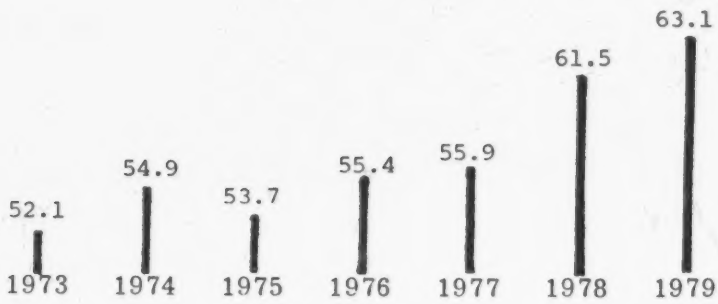




How has this been possible?

In recent years, airlines have significantly increased load factors, conserving millions of gallons of fuel by taking advantage of new, more efficient jets to carry more people per aircraft. The industry's load factor of 63% in 1979 is more than 20% higher than it was in 1973. Other measures to conserve fuel have included increased aircraft utilization, increased seating configuration, and route restructuring.

Airline Load Factors
1973-1979



A number of fuel conservation programs have also been undertaken by the airlines, including the following:

. Cruise speed has been reduced. A few miles-per-hour reduction in speed will extend a flight only a few minutes, but can result in significant reductions in fuel consumption. For example, reducing the speed of a jet from 520 to 500 miles-per-hour on a 500-mile flight will reduce fuel consumption by 7%.

. The use of flight simulators has been greatly expanded in pilot training to eliminate fuel consuming training flights. While some training flights

are still required, simulators are now eliminating thousands of extra flights annually and saving millions of gallons of fuel.

. Computerized flight planning has been used to a greater degree to select altitudes that will yield the minimum consumption of fuel.

. Fuel conservation measures are employed today even after an airliner lands. Often one or more engines are shut down as the aircraft taxis to the arrival gate. And aircraft are being held at departure gates, with engines shut down, when there is likely to be a delay on takeoff.

Future Requires Investment

What does the future hold for airline fuel use and conservation? There is no immediate answer in sight — no technological breakthrough in aircraft design, or development of an alternate fuel. The only answer is for the airlines to continue to replace older, less efficient aircraft with new, more productive models.

Since 1973, hundreds of older aircraft have been replaced with wide-bodied or stretched jets. New aircraft are on order which are 20-30% more fuel-efficient than the models they will replace.

The replacement costs to modernize the airlines' jet fleet with the new technology, more efficient airplanes is enormous. If the airlines are to accommodate traffic growth with the most productive technology available, they will need to invest nearly $90 billion in new aircraft by 1990.

Projections indicate that the U. S. scheduled airlines will be carrying more than 500 million passengers in 1990, although with relatively little increase over today's fleet of about 2,300 aircraft. This is because the new, larger aircraft are expected to increase the average number of seats per aircraft by some 40% by 1990.

To meet these new equipment requirements in the decade of the '80s, the airlines will need an average annual profit margin of at least 5%. But, as a result of skyrocketing fuel costs, airline industry earnings in 1979 plummeted to about one-third of the 1978 level, despite a 12% increase in traffic. The 1979 profit margin was less than 2%.

Clearly, to support the enormous financial need to invest $90 billion in new, fuel-efficient aircraft by 1990, the airlines must maintain a better level of profits. It is the only means of generating the necessary funds, and attracting the outside capital necessary to finance such a major re-equipment cycle.

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